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Woodrow Wilson School of Public and International Affairs

Contact:

Steven Barnes
Woodrow Wilson School, Princeton University
(609) 258-5988
sbarnes@princeton.edu

-- Attention editors: Study authors are available for a background conference call Tuesday, September 16 from 1:00 p.m. to 2:30 p.m. at (609) 258-1651

New Migration Study Indicates “Brain Gain” to New Jersey of Highly Educated Workers

- Study Shows 70% Increase In “Half-Millionaire” NJ Households -

Princeton, NJ - September 16 2008 - A new study on migration patterns released today by the Policy Research Institute for the Region (PRIOR) at Princeton University’s Woodrow Wilson School of Public and International Affairs reveals that New Jersey’s net loss of residents to other states is not a symptom of weak economic conditions, and that the state is experiencing a “brain gain” of highly educated residents to New Jersey.

The study, “Trends in New Jersey Migration: Housing, Employment and Taxation,” [http://www.princeton.edu/prior/PRIOReconomy-Final-\(2\).pdf](http://www.princeton.edu/prior/PRIOReconomy-Final-(2).pdf) economy-Final-(2).pdf by Cristobal Young and Charles Varner, graduate students at the department of Sociology, and Woodrow Wilson School professor of sociology and public affairs Douglas Massey, provides a detailed analysis of recent migration into and out of New Jersey, and is based on three main data sets: the U.S. Census Bureau’s population program; the Census Bureau’s American Community Survey; and New Jersey Division of Taxation individual income tax data that provide a comprehensive view of migration patterns.

The report indicates that New Jersey has experienced net domestic “out-migration” since at least 1991 and the trends in New Jersey closely parallel trends in northeastern United States. New Jersey’s out-migration is currently happening in the high-density areas of northern part of the state and is partially off-set by net in-migration in the less expensive and less populated parts of the state. Highlights of the study include:

- Among working people, net out-migration is essentially zero (1.8 per 100 out-migrants). Net out flows consist of people who are either unemployed or out of the labor force. These net outflows help to raise the employment-to-population ratio in

New Jersey, and suggest that residents are staying in New Jersey in their “high earning” years.

- New Jersey is showing a “brain gain” effect rather than a “brain drain” effect. Among residents with at least a college degree, there is a modest net migration gain, especially among those with PhDs.
- Net domestic out-migration is primarily occurring at the bottom end of the income distribution (particularly in the bottom 20%) by persons with less than a college degree. The cost of living and housing is the main factor leading to new out-migration. However, with persons above New Jersey’s median income, there is a net gain.
- Overall it appears that New Jersey’s state income tax policy does not contribute to out-migration. Most residents who leave New Jersey move to states that impose higher state income taxes because 1) New Jersey’s income tax rates for lower-income individuals (1.4% to 1.75%) are below that of most other states and 2) most out-migrants have lower incomes.
- In spite of net out-migration, the number of half-millionaires in New Jersey has increased sharply in recent years, from 26,000 in 2002 to 44,000 in 2006(a 70% increase)
- There was a net out-migration of half-millionaire households after the new tax rate went into effect -- but the effect is small. At most, New Jersey loses 67 half-millionaire households per year to other states; and up to 287 half-millionaires may choose not to move to New Jersey – or a total of 350 per year, which translates into approximately \$38 million per year in state income tax revenues.
- Out-migration is largely a consequence of regional inflation in the cost of living and housing – a byproduct of prosperity that is reflected in New Jersey’s strong economy and high per capita income.
- The modest net outflow of labor supply has been beneficial for workers and job-seekers in New Jersey as it either creates new job vacancies or reduces the number of unemployed. This is beneficial for workers and job seekers in New Jersey. In fact, the data shows that unemployment is, in part being exported to other states.
- Understanding the fiscal impact of net out-migration requires a full cost-benefit study. For example, adding one million people would greatly strain government services and amenities while also presumably bringing in additional tax revenues. In a very densely populated state like New Jersey population growth may be costly and difficult to manage than out-migration.

“The findings of the study suggest that New Jersey’s net domestic out-migration is not a symptom of economic decline. Rather it is largely a consequence of regional inflation that makes New Jersey difficult to afford for lower income residents. Out migration is a by-product of prosperity and not decline,” said Richard Keevey, director of Policy Research Institute from the Region(PRIOR) at the Woodrow Wilson School. “Further, migration out of the state is almost entirely due to low income individuals moving to areas with lower living costs. The most important step to reducing out-migration would be to improve the affordability of housing in the state, particularly the low-income residents.”

About Woodrow Wilson School of Public and International Affairs

The school was founded at Princeton University in 1930 to prepare students for leadership in public and international affairs, particularly in government service in the area of foreign affairs.

About Policy Research Institute for the Region (PRIOR)

Princeton University and the Woodrow Wilson School of Public and International Affairs established the Policy Research Institute for the Region (PRIOR) to bring the research resources of the University community to bear on regional policy problems facing New Jersey, Pennsylvania, and New York. PRIOR seeks to reach out to state and local leaders to identify problems and issues where University involvement could contribute to the debate in meaningful ways.

